

CHAPTER 4

ACCOUNTING SYSTEMS AND ORGANIZATION

1. **INTRODUCTION AND PURPOSE.** This chapter describes the Departmental finance and accounting organizational structure and the primary accounting system.
 - a. **Applicability.** The applicability of this chapter is specified in Chapter 1, “Accounting Overview.” The Power Marketing Administrations (PMAs) are subject to all financial policies and procedures of the Department unless these policies and procedures are superseded by the Federal Columbia River Transmission System Act, the Government Corporation Control Act, or other statutory authority. When in conflict with the provisions of this chapter, PMAs shall observe the policies and meet the reporting requirements of the Federal Energy Regulatory Commission (FERC) and other industry standards.
 - b. **Policies.** Departmental policies regarding accounting systems and organization are as follows:
 - (1) To accurately record on a timely basis financial information consistent with the Statement of Federal Financial Accounting Standards (SFFAS) and, in the absence of SFFAS, the General Accounting Office (GAO) Policy and Procedures Manual and generally accepted accounting principles;
 - (2) To maintain a reliable, complete, and verifiable accounting system on an accrual accounting basis;
 - (3) To maintain a single integrated financial management system that serves program management, budgetary, and accounting needs;
 - (4) To support reporting to the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), Office of Personnel Management, General Services Administration, and other Agencies as required;
 - (5) To support internal reporting to DOE management;
 - (6) To ensure that obligations and payments do not exceed funds appropriated by Congress;
 - (7) To ensure that integrated contractors’ customary accounting practices conform with generally accepted accounting principles; contain sufficient details to account for all DOE funds, assets, liabilities, and costs; and produce accurate results, provide the necessary DOE financial reports, and do not conflict with provisions of the DOE Accounting Handbook; and
 - (8) To ensure that contractors comply with the standards of the Cost Accounting Standards Board when such standards are required to be followed under the terms of the contract.
2. **ACCOUNTING STRUCTURE.** Under the Department’s accounting structure, the Office of Chief Financial Officer acts as the home office, and the field elements act as branch offices, with the following three field elements acting as Service Centers to provide certain

accounting and disbursement functions for their own element as well as for other field elements: Albuquerque, Oak Ridge, and the Capital Accounting Center. Integrated contractors and petroleum reserve offices report accounting information through the field elements. Integrated contractors maintain separate sets of accounts for recording and reporting transactions under their contracts in accordance with DOE accounting practices and procedures. The accounts are integrated with those of DOE. The PMAs report summary-level accounting information to the Office of Financial Control and Reporting (FC&R) through their Standard General Ledger crosswalk component.

- a. **Departmental Accounting.** The Chief Financial Officer (CFO) is responsible for formulating, executing, analyzing, and preparing the Department's budget; developing Department-wide accounting and financial policies and procedures; and performing Department-wide accounting and reporting.
- b. **Service Centers.** Albuquerque, Oak Ridge, and the Capital Accounting Center have been designated as Service Centers to provide certain accounting and disbursement functions for their own elements as well as for other field elements. The functions currently being performed by the three Service Centers include processing permanent change of station travel, reimbursing travelers for temporary duty and local travel, vendor payments, collection of receivables, and maintaining the accounting system for the field elements.
- c. **Field Element Accounting.** Although the Service Centers provide accounting and disbursement support, each field element independently monitors and controls the activities that affect their accounts. In addition, each field element performs all functions and responsibilities not provided by the Service Centers. Field elements:
 - (1) Receive monthly summary information (with the Management Analysis Reporting System (MARS) trial balance as the highest summary level) from integrated contractors and any offices reporting through the field element;
 - (2) Submit MARS information to Headquarters for editing, consolidation, and reporting;
 - (3) Maintain, in conjunction with integrated contractors, detailed records of transactions to fully support MARS summary balances;
 - (4) Support financial reports sent directly to external agencies with detailed transactions and summary balances in MARS; and
 - (5) Ensure that the accounting practices and procedures of integrated contractors are acceptable to DOE. When the terms of the contract require compliance with the standards of the Cost Accounting Standards Board, follow the provisions of 48 CFR 30, chapter 1, for management and operating contracts.
- d. **Integrated Contractors.**
 - (1) **Operational Relationship with DOE.** The integrated contractors develop financial and accounting data supporting their operation, maintenance, and general technical support of DOE-owned or DOE-controlled research,

development, special production, or testing establishments. The operational relationship has the following characteristics:

- (a) The contractor has little financial risk;
- (b) The contractor ensures the proper use of public funds; and
- (c) The contractor maintains accounts integrated with DOE reciprocal accounts that are self-balancing, such as:
 - 1. a current account reflecting payments and balance sheet changes recorded;
 - 2. an investment account for appropriated fund entries and equity balances; and
 - 3. a transfers-issued account and a transfers-received account (these two accounts record the transfer of costs of materials, equipment, and other services between contractors or between DOE offices).

(2) Integrated Contractor Cost Certification Process.

- (a) **Requirements.** DOE Form 2200.1, "Statement of Costs Incurred and Claimed (Cost Statement or Statement)," is prepared and certified by DOE's integrated contractors annually after the contractors' financial statements and related information have been submitted to the cognizant field element (Attachment 4-1). This requirement is contained in DOE acquisition regulations (48 CFR 970.5204-16(e)) as implemented by the appropriate DOE contracting officer. The costs reported on this statement should be consistent with the contractor's financial statements.
 - 1. The Statement of Costs Incurred and Claimed is not a payment voucher. It is the contractor's accounting for all costs incurred by the contractor for the period covered by the report. By submission of the form, the integrated contractor summarizes its costs incurred during the year specified, including any materials or services furnished by the Government.
 - 2. The form serves as the contractor's claim and certification that the costs have been incurred and (to the best of the Certifying Officials knowledge and belief) are allowable under the contract. Upon audit by DOE's Office of Inspector General (IG) and final approval by DOE, the Cost Statement constitutes a basis for closing appropriate DOE equity balance sheet accounts.
- (b) **Review and Approval of Costs Incurred.** DOE's approval of the Cost Statement as submitted by the integrated contractor constitutes the Department's acknowledgment that the net costs incurred are believed to be allowable under the contract and that those costs have been recorded in the accounts maintained by the contractor in accordance with DOE

accounting policies. Approval is completed only after all appropriate signatures have been obtained on the Contractor's Cost Statement. This approval does not relieve the contractor of responsibility for DOE's assets in its care, for appropriate subsequent adjustments, or for errors later becoming known to the Department. The process for the submission, review and approval of contractor cost statements is as follows:

1. Contractor prepares the Cost Statement and submits it to the DOE Contracting Officer no later than November 15 of each year. The Contracting Officer then distributes copies to: a) the IG so they may begin preliminary audit work; b) the Field CFO; and, c) the Field Director of Procurement (FDP) so they may review the statement and make appropriate attestations.
2. The Contracting Officer should obtain the CFO and FDP signatures on a single statement of costs incurred and claimed. The Field CFO thereby attests that the contractor has established a system of accounting controls adequate to minimize the risk of incurring unallowable or unreasonable costs. The FDP thereby attests that the contractor has established a system of procurement controls adequate to minimize the risk of incurring unallowable or unreasonable costs. The Field CFO and FDP should perform any review/oversight activities necessary to provide them with reasonable assurance that these controls are in place and working as intended. Any allowable cost issues should be referred to the Contracting Officer for resolution.
3. Upon obtaining appropriate signatures, the Contracting Officer should forward a copy of the statement to the IG. At this point, the Statement should contain signed attestations by the Contractor, Field CFO and FDP.
4. IG will begin audit work on or before receipt of the signed copy of the Cost Statement. In accordance with the revised Cooperative Audit Strategy, the OIG will annually audit the Statements of Costs Incurred and Claimed for the ten contractors who incur the most cost annually. The remaining contractor Statements will be audited by the IG on a four year rotational basis.

Contractors who are not audited annually are still required to prepare and submit annual statements to the Department. Additionally, the Field CFO and FDP should continue to review and sign the statements annually and forward them to the Contracting Officer for distribution to the IG. In the year of audit, the IG will audit and sign the current year's statement along with any prior years statements awaiting audit. The Field manager and Contracting Officer are only required to sign statements which have been audited by the IG.

Additionally, any Field organization that requires audit of their contractor's Statement during a year where audit is not scheduled (i.e. when a contract has not been renewed and is in closeout) may specifically request the OIG to perform the review. The IG will review any such request and will expedite the audit if resources permit. Copies of the current schedule for IG audits of

Statements of Costs Incurred and Claimed may be obtained by contacting your Office's regional OIG audit contact.

In the audit of Cost Statements, the IG will:

- a. assess the contractor's internal control structure to assure costs claimed and reimbursed by the Department are allowable under the contract; and,
- b. assess the work of the contractor's internal audit staff, specifically with regard to the allowability of costs claimed by the contractor.

Upon receipt of the "Statement of Costs Incurred and Claimed" signed by the Contractor, the Field CFO, and FDP, the IG will prepare a final report based on this assessment identifying any reportable conditions and/or IG recommendations. The IG then signs the "Statement of Costs Incurred and Claimed" and forwards the report and signed Cost Statement to the Contracting Officer. Any questioned costs disclosed by the review will be reflected on the Statement.

- 5. Upon receiving a copy of the Contractor's Statement signed by the IG and the accompanying report, the Contracting Officer will research and resolve any cost allowability issues and adjust the Contractor's Cost Statement as appropriate in column B. To the maximum extent practicable, the auditor should be present at any negotiations. (NOTE: The CO is responsible for making the final determinations on the allowability of any questioned costs.) The Contracting Officer shall then sign the Cost Statement and obtain the signature of the Head of Field Element. Once all required signatures are obtained, the Contractor's Statement of Costs Incurred and Claimed is considered "Approved" and final copies should be forwarded to the Contractor, the Field CFO, and the IG.
- 6. Upon receiving the final "Statement of Costs Incurred and Claimed," the Field CFO ensures that accounting adjustments for disallowed costs and entries to reflect remaining costs as audited are accomplished based on the signed and adjusted Statement.

(c) **Schedule.** The schedule for the annual review and approval of the Statement of Costs Incurred and Claimed is as follows:

- | | |
|-------|--|
| 11/15 | Cost Statement submitted by the integrated contractor to the DOE Contracting Officer (The Contracting Officer will also send a copy to IG at this time to expedite IG audit) |
| 12/31 | Contracting Officer forwards copy of the Cost Statement signed by the Field CFO and FDP to the IG |
| 3/01 | IG returns audited Cost Statement and audit report to Contracting Officer |

9/30 Allowable cost issues are resolved and required accounting entries are completed

- (d) **Closing of DOE Equity Balance Sheet Accounts.** After audit by the IG and approval by the field element of all or a portion of the contractor's costs for a given period, balance sheet code 8124, Current Year Audited Cost with Integrated Contractors, is credited and balance sheet code 8125, Investment with Integrated Contractors, is debited to reflect the final costs incurred, claimed, and approved. If there are no subsequent adjustments, this entry reflects interim acceptance (subject to later audit) of the contractor's net cost of operations, plus increases (or minus decreases) in noncash assets, minus any increases (plus decreases) in accumulated depreciation and allowances for losses on accounts receivable and inventories. After these entries are made, the balance in balance sheet code 8124 represents the amount of the contractor charges which have not been approved by DOE.
- e. **Power Marketing Administrations.** The PMA financial offices are responsible for planning, budgeting, funds control, accounting, and reporting.

 - (1) **Revenues.** Most revenues from PMA sales of power are deposited in Treasury as proprietary receipts, and annual appropriations are used to operate these administrations. The revenues from portions of the Western Area Power Administration are deposited in revolving funds.
 - (2) **Accounting.** Summarized accounting information is reported to the Office of Financial Control and Reporting for subsequent reporting to Central Agencies.
- f. **Federal Energy Regulatory Commission.** FERC is an independent regulatory agency operating under DOE but not subject to Departmental policies and procedures. FERC accounting data are submitted through MARS for editing and reporting.

3. SINGLE INTEGRATED FINANCIAL MANAGEMENT SYSTEM.

- a. **Functions.** The Single Integrated Financial Management System is an automated system that serves the entire Department, including the PMAs. The system produces external reports that consolidate data from all Departmental elements.
- b. **Components.** The components of the Single Integrated Financial Management System are the Departmental Primary Accounting System, the Departmental PAY/PERS, the Departmental Budget Formulation System (DBFS), and the Program Financial Systems (PFSs). (See Attachment 4-2 for a diagram of the Single Integrated Financial Management System.)

 - (1) **Departmental Primary Accounting System.** The Departmental Primary Accounting System is composed of the Financial Information System/Management Analysis Reporting System (FIS/MARS, which complies with the U.S. Government Standard General Ledger requirement), the Departmental Integrated Standardized Core Accounting System (DISCAS), and the Departmental Funds Distribution System (DFDS).

(a) Financial Information System/Management Analysis Reporting System.

1. *Functions.* FIS/MARS collects and edits summary-level financial data from accounting systems maintained by DOE field organizations and integrated contractors and FERC. FIS/MARS also verifies that DOE cash controls are not exceeded and that allotment and approved funding programs reported by the field are in agreement with allotment and approved funding programs (AFPs) issued by the Office of FC&R. FIS/MARS utilizes a crosswalk/conversion to satisfy the requirement of Standard General Ledger (SGL) at the transaction level and provides the required external reports using the SGL chart of accounts.
2. *Interfaces.* Each DISCAS site transmits data to MARS monthly. Data flow back to these sites as edit results and reports. An interface from DFDS to FIS/MARS passes files containing data on allotments, AFPs, project numbers, major items of equipment, and the Base Table. DFDS interfaces with FIS/MARS to use the official Budget and Reporting Classification file and also receives FIS/MARS reports. A manual interface from Treasury to FIS/MARS passes data in the form of appropriation warrants and trial balances for use in the Departmental Control Accounts and for reconciliation. FIS/MARS automatically interfaces with the Procurement Assistance Data System to use contractor narrative information, such as name, location, and source of procurement. The Procurement Assistance Data System interfaces with FIS/MARS to obtain control figures for costs and obligations and to access the official Budget and Reporting Classification file maintained in FIS/MARS.

(b) Departmental Integrated Standardized Core Accounting System.

1. *Functions.* DISCAS is an accounting management information system designed to provide DOE offices, with the exception of the PMAs, with a standard system for recording and obtaining timely, accurate, and complete information to satisfy accounting and budget execution requirements. The data base system design eliminates redundant input and the need for duplicate data.
2. *Interfaces.* The computer operational sites and certain accounting and disbursement activities have been reduced to three Service Centers: Albuquerque, Oak Ridge, and the Capital Accounting Center. All of the DOE field elements have continued access and use of DISCAS to provide services to various DOE organizational entities and to integrate the accounts maintained by the integrated contractors. In coordination with the DOE field elements, each Service Center submits summarized monthly accounting data to MARS no later than the fifth workday after the close of the accounting month. The data are used by MARS for subsequent processing into financial reports.
 - a. *Labor Distribution System (LDS).* LDS receives labor cost data from PAY/PERS and classifies them to match the DOE

organizational structure. LDS then processes the data and transmits them to all DISCAS sites.

- b. *Procurement Assistance Data System (PADS)*. PADS transmits procurement-related data to DISCAS.

3. *Components*. The primary components of DISCAS are as follows:

- a. *FIS/MARS Module*. The FIS/MARS module assembles monthly accounting activity for transmittal to DOE HQ Office of Financial Control and Reporting, processes data corrections, and enters cost transactions from integrated contractors.
- b. *Advice Module*. The advice module loads obligational authority distributions from DFDS. These data are used to perform daily administrative control of funds.
- c. *Accounting Module*. The accounting module enters and posts all accounting transactions; maintains vendor and contractor descriptive data; maintains maps for posting transactions; processes payments; maintains and prints SF-1080, "Voucher for Transfers Between Appropriations and/or Funds," SF-1081, "Voucher and Schedule of Withdrawals and Credits," and billing documents; and processes old-year and new-year records during fiscal year closing.
- d. *Travel Module*. The travel module establishes data for assistant managers and organizations within the local office, defines office allocations, reserves and obligates funds and applies costs to obligated funds, produces travel reports, and enters detailed and summary permanent-change-of-station data. Travel authorization and voucher information entered through Travel Manager is automatically interfaced into DICAS through this module.
- e. *Reports Module*. The reports module is used to obtain detailed and summary reports showing the statuses of funds and all accounting activities. Users initiate reporting processes interactively and specify data selection and sorting criteria.
- f. *Utility Module*. The utility module stores and restores data sets, performs both utility and recast functions, and creates and maintains user menus.
- g. *Energy Time and Attendance (ETA) System*. The ETA system is made up of three modules: the timekeeper's module, the ETA coordinator module (ETAC), and the ETA monitor module. The ETA system is used by the Department's timekeepers to perform timekeeping duties and responsibilities. The timekeeper transmits the time and attendance (T&A) file to the ETAC, who consolidates the T&A data and transmits the file to the Headquarters mainframe.

- (c) **Departmental Funds Distribution System Module.** DFDS provides for the distribution of all obligational authority made available to DOE for the fiscal year. At each stage in this process, specific controls, ceilings, and limitations are imposed on the use of the funds. DFDS is used to establish and maintain these controls at the Departmental level to ensure that legal, congressional, OMB, and internal ceilings and limitations are not exceeded. DFDS interfaces with FIS/MARS, DISCAS, and the program offices.

(2) Departmental Payroll/Personnel System.

- (a) **Functions.** The PAY/PERS system supports the activities of all DOE payroll and personnel offices. It allows staffs from both functional areas to use a single data base maintained by a single set of integrated editing and updating processes.
- (b) **Interfaces.** PAY/PERS, operated by Headquarters, feeds data to LDS and to the Energy Manpower/Personnel Resources Information System. LDS classifies and aligns work-hours and associated personal services and benefits costs to the Department's organizational structure, and also correlates these costs to the budget and accounting controls. LDS translates and distributes payroll data into information required to satisfy budgetary, accounting, and management reporting requirements. Through a series of edits and tables, the payroll data are modified, expanded, and summarized into transactions to permit interface with DISCAS.
- (c) **Components.** The subsystems of PAY/PERS are Edit/Update, ETA, Payroll Calculate, Payroll Reporting, Retirement, Within Grade Increase, and Monthly Personnel Reporting. Within Grade Increase and Monthly Personnel Reporting are related exclusively to personnel functions.

(3) Departmental Budget Formulation System.

- (a) **Functions.** The automated DBFS provides DOE with a means for summarizing, controlling, and tracking budget requests and decisions at the Department level. The system also generates budget reports required internally and for OMB and Congress. Throughout the budget cycle, the system provides a "what-if" capability to assist in decision-making.
- (b) **Interfaces.** The DBFS interfaces manually with OMB and FIS/MARS and both electronically and manually with Congress and DOE program managers.
- (c) **Components.** The DBFS has a component that contains and processes the entire Departmental budget, including all appropriation accounts that encompass nationwide activity. System reports are prepared at various levels of programmatic detail. These reports provide DOE organizations with baseline budgetary controls throughout

the formulation process and convey Secretarial, OMB, and congressional decisions during the process. All budget materials are validated against controls maintained by this system to ensure conformity.

(4) Program Financial Systems.

- (a) Functions.** The functions of the PFSs are to provide budgeting, reporting, accounting, and related processes for the PMAs.
- (b) Interfaces.** The PFSs provide summary accounting information to the Office of Financial Control and Reporting.
- (c) Components.** Each PMA has its own accounting system that provides data to the Office of Financial Control and Reporting.

ATTACHMENT 4-1

STATEMENT OF COSTS INCURRED AND CLAIMED

Statement of Costs Incurred and Claimed under Contract Number _____
for the period beginning _____ and ending _____

	(A) Contractor Costs Claimed	(B) Contracting Officer Adjustments	(C) Total Adjusted Costs
1. Net Cost of Operations	_____	_____	_____
2. Non-Reimbursable Transfers	_____	_____	_____
3. Reconciling Transfers	_____	_____	_____
4. Changes in Assets			
a) Accounts Receivable	_____	_____	_____
b) Inventories	_____	_____	_____
c) Plant & Equipment—Net	_____	_____	_____
d) Prepayments	_____	_____	_____
e) Collateral Funds	_____	_____	_____
f) Other Deposits	_____	_____	_____
(explain in footnote)	_____	_____	_____
Costs Incurred and Claimed (Total)	=====	=====	=====

Signatures:

I certify that, to the best of my knowledge and belief, the Costs Incurred and Claimed are allowable and reasonable in accordance with the terms of the subject contract and applicable laws and regulations, subject to audit.

Manager, Management and Operating Contractor

Date

The contractor has established a system of accounting and procurement controls adequate to minimize the risk of incurring unallowable or unreasonable costs. The above statement does not constitute final approval or settlement of costs.

<Name> Field Chief Financial Officer Date

<Name> Field Director of Procurement Date

Audit by the Inspector General disclosed \$ _____ questioned costs, subject to future audit.

<Name> Office of Inspector General Date

Approved by the U.S. Department of Energy in the amount of \$ _____, subject to future audit.

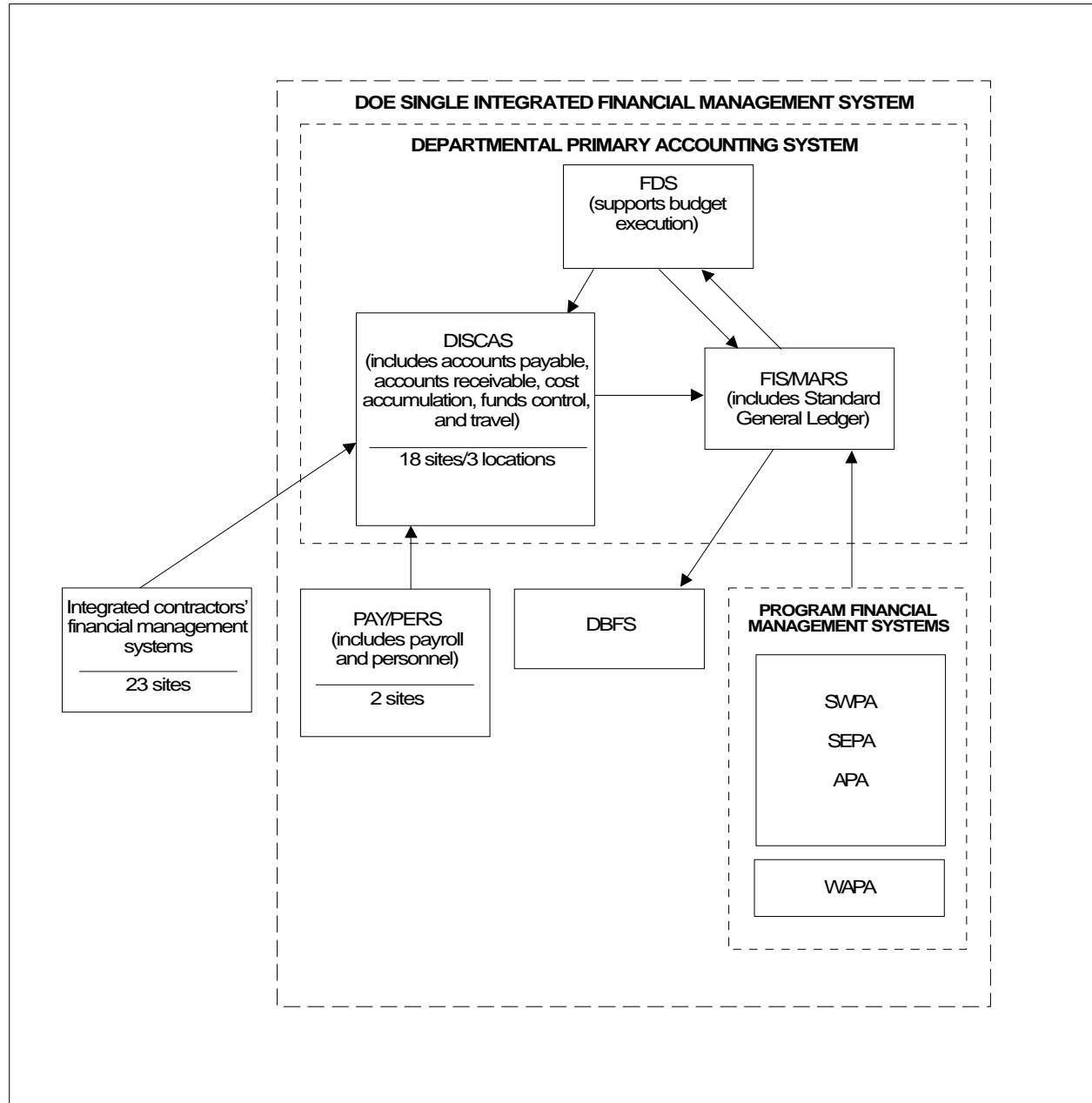
<Name> Contracting Officer Date

<Name> Field Office Manager Date
or Head of Contracting Activity

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ATTACHMENT 4-2

DOE SINGLE INTEGRATED FINANCIAL MANAGEMENT SYSTEM



FDS—Funds Distribution System

DISCAS—Departmental Integrated Standardized Core Accounting System

FIS/MARS—Financial Information System/ Management Analysis and Reporting System

PAY/PERS—Payroll/Personnel System

DBFS—Departmental Budget Formulation System

SWPA—Southwestern Power Administration

SEPA—Southeastern Power Administration

APA—Alaska Power Administration

WAPA—Western Area Power Administration